Member of Financial Accounting Standards Foundation (FASF)

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Year Ended December 31, 2016

February 14, 2017

Company name: Okabe Co., Ltd. Stock exchange listing: First Section of the Tokyo Stock Exchange
Stock code: 5959 URL: http://www.okabe.co.jp/
Representative: Makoto Hirowatari, President
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Scheduled date of Annual General Meeting of Shareholders: March 30, 2017
Scheduled date of commencement of dividend payment: March 31, 2017
Scheduled date of filing of Annual Securities Report: March 30, 2017
Supplementary materials for annual financial results: None
Information meeting for annual financial results: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest one million yen.)

1. Consolidated Financial Results for the Current Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(1) Consolidated Results of Operations (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2016	63,190	(8.4)	5,527	(12.6)	5,780	(11.6)	7,861	85.7
December 31, 2015	68,985	1.4	6,327	(9.7)	6,539	(10.0)	4,234	(4.5)

(Note) Comprehensive income: 7,218 million yen (78.7%) for the year ended December 31, 2016
4,040 million yen (negative 29.3%) for the year ended December 31, 2015

	Profit per share (basic)	Profit per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
Year ended	Yen	Yen	%	%	%
December 31, 2016	155.10	–	15.7	7.0	8.7
December 31, 2015	81.62	–	8.8	7.8	9.2

(Reference) Equity in earnings (losses) of affiliates: Year ended December 31, 2016: – million yen
Year ended December 31, 2015: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	81,919	51,404	62.8	1,031.65
As of December 31, 2015	83,786	48,601	58.0	953.77

(Reference) Shareholders' equity: As of December 31, 2016: 51,404 million yen
As of December 31, 2015: 48,601 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents
Year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2016	5,703	3,797	(711)	22,694
December 31, 2015	1,032	(5,074)	584	14,445

2. Dividends

	Dividend per share					Total amounts of dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2015	–	12.00	–	12.00	24.00	1,240	29.4	2.6
December 31, 2016	–	12.00	–	12.00	24.00	1,209	15.5	2.4
Year ending December 31, 2017 (forecasts)	–	15.00	–	15.00	30.00		41.8	

(Note) Breakdown of dividends at the end of the second quarter of the fiscal year ending December 31, 2017 (forecast): Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen
Breakdown of dividends at the end of the fiscal year ending December 31, 2017 (forecast): Ordinary dividend 12.00 yen and commemorative dividend 3.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2017 (January 1, 2017 – December 31, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	29,270	(3.6)	2,280	17.2	2,320	15.6	1,440	23.6	28.40
Full year	62,000	(1.9)	5,700	3.1	5,800	0.3	3,640	(53.7)	71.81

* Notes

(1) Changes in important subsidiaries during the period
(changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes
New companies: – (Company names:); Excluded companies: 2 (Company names: Okabe North America, Inc. and Coast Hotels Limited)

(2) Changes in accounting policies, accounting estimates and restatement

(i) Changes in accounting policies caused by revision of accounting standards:	Yes
(ii) Changes in accounting policies other than (i):	Yes
(iii) Changes in accounting estimates:	Yes
(iv) Restatement:	None

(3) Number of shares outstanding (common shares):

(i) Number of shares outstanding at end of period (including treasury shares)	
As of December 31, 2016:	53,790,632 shares
As of December 31, 2015:	53,790,632 shares
(ii) Number of treasury shares at end of period	
As of December 31, 2016:	3,963,082 shares
As of December 31, 2015:	2,833,250 shares
(iii)Average number of shares outstanding during the period	
Fiscal year ended December 31, 2016:	50,687,636 shares
Fiscal year ended December 31, 2015:	51,880,537 shares

(Reference) Summary of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for the Current Fiscal Year Ended December 31, 2016 (January 1, 2016 – December 31, 2016)

(1) Non-Consolidated Results of Operations (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2016	43,272	(8.2)	3,366	(19.7)	8,318	71.2	10,264	231.8
December 31, 2015	47,123	(5.8)	4,194	(20.3)	4,858	(16.7)	3,093	(15.5)

	Profit per share (basic)	Profit per share (diluted)
Year ended	Yen	Yen
December 31, 2016	202.51	–
December 31, 2015	59.62	–

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2016	74,583	46,304	62.1	929.30
As of December 31, 2015	68,552	38,002	55.4	745.78

(Reference) Shareholders' equity: As of December 31, 2016: 46,304 million yen
As of December 31, 2015: 38,002 million yen

* Information regarding the implementation of audit procedures
The current financial statements are exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for these financial statements have not been completed.

* Explanations and other special notes concerning the appropriate use of business performance forecasts
Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors.

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1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

(a) Financial Results for the Fiscal Year under Review (January 1, 2016 to December 31, 2016)

In the fiscal year under review, the Japanese economy showed a gradual recovery trend with an improvement in the employment situation and signs of picking up in consumer spending, despite a delayed improvement in some sectors such as the improvement in corporate earnings and capital expenditure which has been at a standstill.

The Japanese construction industry, the Okabe Group's core customer, was sluggish, given that the volume of construction works did not grow and that progress in construction starts was delayed in the full year, although building works and infrastructure works related to the Tokyo 2020 Olympic and Paralympic Games were commenced gradually after the fourth quarter.

In this business environment, the Okabe Group worked to expand the share for major products by strengthening product development through collaboration between development, production, and sales in its core construction-related products business. It also sought to improve its production and logistics functions with Ibaraki Factory, which went into full-scale operation at the start of this year, as the pillar of this effort.

Results of operations by business segment are as follows:

[Construction-related products]

A breakdown of sales of construction-related products by product shows that sales of temporary building and formwork products fell 11.0% year on year, mainly due to a fall in the volume of building works of reinforced concrete structures.

Sales of civil engineering products dropped 11.2% year on year, chiefly due to decreased public investment, despite sales activities that the Company conducted mainly in the market for its core slope protection construction method.

Sales of building structural products declined 6.0% year on year, with fewer construction starts for mid-rise buildings, which is its main market, only partially offset by efforts to achieve the market penetration of the Base Pack V Series, which was launched in the previous fiscal year, and other products.

Sales of building materials decreased 2.4% year on year as a result of weak sales in Japan, despite growth in sales of OCM, Inc., a consolidated subsidiary, in the U.S.

As a result, sales in the construction-related products segment fell 6.2% year on year, to 47,711 million yen, and operating income declined 12.1% year on year, to 3,940 million yen.

[Automotive products]

While sales remained strong in Europe as a result of implementing technological proposal sales for the mainstay automobile battery terminal products, sales remained weak in North America, primarily affected by falling demand due to the warm winter. With foreign exchange rates also having a positive impact, net sales fell 12.1% year on year, to 8,975 million yen. Operating income declined 16.0% year on year, to 1,021 million yen.

[Hotel business]

In the consolidated fiscal year under review, the statement of income from October 1, 2015 to September 5, 2016 was consolidated because of the effect of transferring the hotel business on September 6, 2016. As a result, sales in the consolidated fiscal year under review stood at 5,204 million yen (a decrease of 14.8% year on year), but operating income rose to 501 million yen (up 47.6% year on year), mainly thanks to an improvement in the daily room rate.

[Other businesses]

Sales declined 27.9% year on year, to 1,299 million yen, mainly reflecting the postponement of a large project until the next fiscal year in the marine business. Operating income declined 77.8% year on year, to 63 million yen.

As a result, consolidated net sales for the fiscal year under review decreased 8.4% year on year, to 63,190 million yen. Consolidated operating income declined 12.6%, to 5,527 million yen, and consolidated ordinary income dropped 11.6%, to 5,780 million yen. However, profit attributable to owners of parent increased 85.7% year on year, to 7,861 million yen, chiefly thanks to the posting of extraordinary income as result of the transfer of the hotel business.

(For reference)

Net sales by business segments and product category (consolidated)

(Yen in millions, rounded down)

		Previous fiscal year (Jan. 1, 2015 – Dec. 31, 2015)		Fiscal Year under review (Jan. 1, 2016 – Dec. 31, 2016)		Change (%)
		Amount	Proportion (%)	Amount	Proportion (%)	
			%		%	%
Construction-related products	Temporary building and formwork products	7,971	11.5	7,093	11.2	(11.0)
	Civil engineering products	6,251	9.1	5,553	8.8	(11.2)
	Building structural products	19,506	28.3	18,342	29.0	(6.0)
	Building materials	17,140	24.8	16,720	26.5	(2.4)
	Total of construction-related products	50,869	73.7	47,711	75.5	(6.2)
Automotive products		10,205	14.8	8,975	14.2	(12.1)
Hotel business		6,108	8.9	5,204	8.2	(14.8)
Other businesses		1,802	2.6	1,299	2.1	(27.9)
Total		68,985	100.0	63,190	100.0	(8.4)

(Note) For information about the main operations of each business segment, please refer to “Segment information” on page 16.

(b) Forecast for the next fiscal year (fiscal year ending December 31, 2017)

(Yen in millions, rounded down)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Fiscal year ended December 31, 2016 (Actual)	63,190	5,527	5,780	7,861
Fiscal year ending December 31, 2017 (Estimate)	62,000	5,700	5,800	3,640
Change (%)	(1.9)	3.1	0.3	(53.7)

(2) Analysis of Financial Position

(a) Assets, liabilities and net assets

[Assets]

Current assets at the end of the fiscal year amounted to 51,245 million yen, an increase of 5,642 million yen from the previous fiscal year-end, due mainly to an increase in cash and deposits.

Non-current assets decreased 7,531 million yen from the previous fiscal year-end to 30,652 million yen, primarily owing to a decrease in buildings and structures.

As a result, total assets decreased 1,867 million yen from the previous fiscal year-end to 81,919 million yen.

[Liabilities]

Current liabilities at the end of the fiscal year amounted to 17,573 million yen, a decrease of 6,320 million yen from the previous fiscal year-end, mainly due to a decrease in short-term loans payable.

Non-current liabilities increased by 1,649 million yen from the previous fiscal year-end to 12,941 million yen, largely due to an increase in long-term loans payable.

As a result, total liabilities decreased 4,670 million yen from the previous fiscal year-end to 30,514 million yen.

[Net assets]

Net assets increased 2,803 million yen from the previous fiscal year-end to 51,404 million yen. The shareholders’ equity ratio was 62.8%, up 4.8 percentage points from the end of the previous fiscal year.

(b) Cash flows

Cash and cash equivalents at the end of the fiscal year totalled 22,694 million yen, an increase of 8,249 million yen from the end of the previous fiscal year.

The following is a summary of cash flows and major factors for the fiscal year under review.

(Cash flows from operating activities)

Net cash provided by operating activities during the fiscal year came to 5,703 million yen (compared with net cash provided by operating activities of 1,032 million yen in the previous fiscal year). The major factor was an increase in profit before income taxes.

(Cash flows from investing activities)

Net cash provided by investing activities during the fiscal year was 3,797 million yen (compared with net cash used in investing activities of 5,074 million yen in the previous fiscal year). The major factor was proceeds from the sale of shares of subsidiaries, resulting in a change in the scope of consolidation.

(Cash flows from financing activities)

Net cash used in financing activities during the fiscal year amounted to 711 million yen (compared with net cash provided by financing activities of 584 million yen in the previous fiscal year). This was mainly due to a net decrease in loans payable.

(Reference) Changes in cash flow indicators

	Fiscal year ended Dec. 2012	Fiscal year ended Dec. 2013	Fiscal year ended Dec. 2014	Fiscal year ended Dec. 2015	Fiscal year ended Dec. 2016
Equity ratio (%)	52.1	54.5	56.1	58.0	62.8
Equity ratio on market price basis (%)	44.8	83.3	68.4	56.6	58.5
Interest-bearing debt/cash flow ratio (years)	2.1	1.7	1.5	12.2	1.7
Interest coverage ratio (times)	22.0	29.4	33.0	7.5	64.2

Notes: Equity ratio: equity/total assets

Equity ratio on market price basis: market capitalization/total assets

Interest-bearing debt/cash flow ratio: interest-bearing debt/operating cash flows

Interest coverage ratio: operating cash flows/paid interest

- All figures are calculated based on consolidated financial data.
- Market capitalization uses the number of shares issued less treasury shares.
- Interest-bearing debt is the sum of all liabilities on the consolidated balance sheet on which the Group is obligated to pay interest.

(3) Basic Policy for Dividends and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Group's basic policy is to maintain stable dividends to enhance the return of profits to shareholders. The dividend is also linked to consolidated business results and reflects the need to bolster internal reserves to strengthen the Group's financial condition and fund future business operations.

In accordance with this basic policy, the Company plans to pay a year-end dividend for the fiscal year under review of 12 yen per share. With the interim dividend of 12 yen per share that has already been paid, this will result in an annual dividend for the fiscal year under review of 24 yen per share.

For the next fiscal year, the Company plans to pay a dividend of 30 yen per share, the sum of the interim dividend of 15 yen and the year-end dividend of 15 yen, by adding the annual dividend of 6 yen as a commemorative dividend for the 100th anniversary of the founding to the annual dividend of 24 yen as an ordinary dividend.

2. Corporate Group

The Okabe Group (Okabe Co., Ltd. and its associated companies) consists of Okabe Co., Ltd. ("the Company"), 10 subsidiaries (8 of which are consolidated) and 4 affiliated companies. These companies are engaged primarily in the manufacture and sale of construction materials and equipment. The Group is also focusing on expanding operations in other business fields.

The positioning of the Company and its key associated companies and their relationship with the business segments are as follows.

Construction-related products

(Temporary building and formwork products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods. Subsidiary OMM Co., Ltd. manufactures temporary building and formwork products ordered by the Company. Okabe Industry Co., Ltd. is engaged in the development, manufacture and marketing of temporary building and formwork products, and the Company sells products sourced from Okabe Industry Co., Ltd. Fukuoka Form Tie Co., Ltd. purchases temporary building and formwork products mainly from the Company and sells them in Kyushu. In addition, the Company sells products in China by using its sales subsidiary Okabe China Co., Ltd.

(Civil engineering products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods.

(Building structural products)

The Company develops associated construction methods and develops, manufactures and sells products used with these methods.

(Building materials)

The Company uses its sales network to sell building materials that are purchased from other companies. In addition, U.S. subsidiary OCM, Inc. purchases products sold by the Company in Japan and products compatible with local construction methods in and outside the U.S. and sells them in the U.S.

Automotive products

U.S subsidiary Okabe Co., Inc. is engaged mainly in the design and sale of automotive bolts and screw nuts in the U.S. Another U.S. subsidiary Water Gremlin Co. develops, manufactures, and sells automotive battery parts in the U.S. market. Italian subsidiary Water Gremlin Aquila Co. S.p.A. develops, manufactures, and sells automotive battery parts in Europe. Chinese local subsidiary Changxing Water Gremlin Non-Ferrous Co. manufactures and sells automotive battery parts in China.

Okabe Holding USA, Inc. is a holding company that owns all the shares of Water Gremlin Co., Water Gremlin Aquila Co. S.p.A. and Changxing Water Gremlin Non-Ferrous Co.

Other businesses

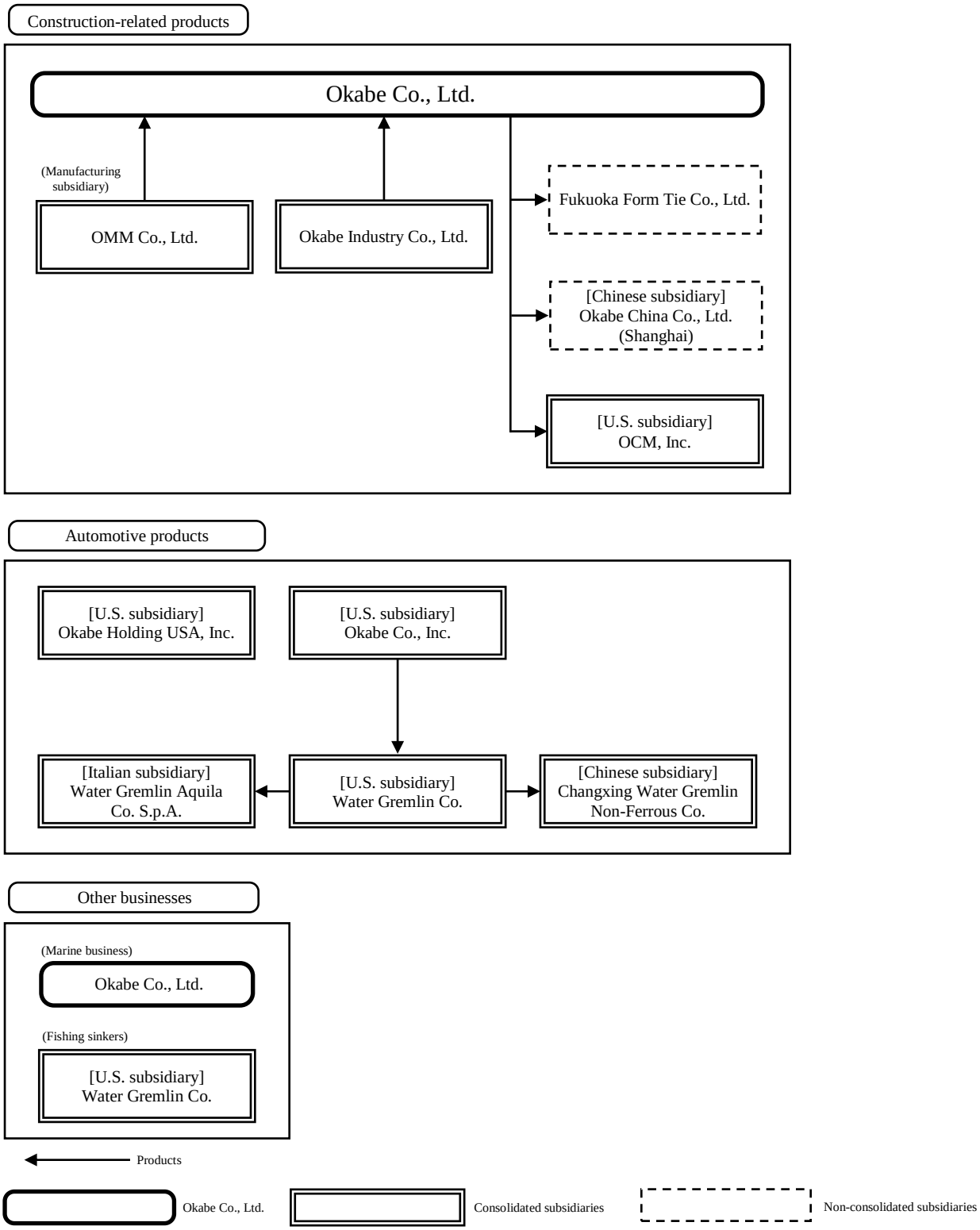
Water Gremlin Co., which is engaged mainly in the manufacture and sale of automotive products, also manufactures and sells fishing sinkers, which are non-automotive products.

The Company's marine business involves the development, manufacture and sale of marine materials.

Note: The Company withdrew from the hotel business by transferring all the shares in Okabe North America, Inc. and Coast Hotels Limited, local subsidiaries in Canada engaged in the hotel business, on September 6, 2016.

[Business Flow Diagram]

The following diagram summarizes the business operations listed above.



Note: The Company withdrew from the hotel business by transferring all the shares in Okabe North America, Inc. and Coast Hotels Limited, local subsidiaries in Canada engaged in the hotel business, on September 6, 2016.

3. Management Policy

(1) Basic Management Policy

The Group's corporate philosophy is to make a "contribution to society by providing **s**afety and security."

(2) Target Management Indicators

The Group has formulated the medium-term management plan "NEXT100: Exciting Future" covering the period from 2017 to 2019. For further details of the medium-term management plan, please refer to the material released today.

(3) Medium-to-long-term Management Strategies and Issues Facing the Company

Setting a long-term vision (future image) in the medium-term management plan "NEXT100: Exciting Future" with fiscal 2017 as the first year, the Group is working on the initiatives, which are the three pillars of the management plan, and measures to strengthen its business base to achieve the long-term vision. For further details of the medium-term management plan, please refer to the material released today.

4. Basic Approach to Selection of Accounting Standards

The Okabe Group's policy is to prepare its consolidated financial statements based on Japanese Accounting Standards for the present time by taking the comparability of the consolidated financial statements between terms and between companies into consideration.

The Group plans to examine application of the International Financial Reporting Standards (IFRS) in the future, based on consideration of a number of factors in Japan and overseas.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousand yen)

	Previous fiscal year (As of December 31, 2015)	Fiscal year under review (As of December 31, 2016)
ASSETS		
Current assets		
Cash and deposits	15,195,942	22,694,593
Notes and accounts receivable - trade	21,626,846	20,048,397
Securities	–	500,000
Lease receivables and investment assets	168	26
Merchandise and finished goods	5,135,923	4,724,418
Work in process	847,791	874,016
Raw materials and supplies	1,564,992	1,411,755
Deferred tax assets	187,340	308,732
Other	1,078,299	708,965
Allowance for doubtful accounts	(34,533)	(25,767)
Total current assets	45,602,769	51,245,139
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,467,127	13,248,215
Accumulated depreciation	(7,691,018)	(4,503,408)
Buildings and structures, net	16,776,108	8,744,807
Machinery, equipment and vehicles	12,289,149	11,796,431
Accumulated depreciation	(8,712,116)	(8,426,638)
Machinery, equipment and vehicles, net	3,577,032	3,369,792
Land	6,145,856	3,529,121
Leased assets	700,123	737,563
Accumulated depreciation	(357,991)	(421,644)
Leased assets, net	342,131	315,919
Construction in progress	814,192	715,974
Other	3,886,102	1,483,784
Accumulated depreciation	(2,704,181)	(1,207,971)
Other, net	1,181,920	275,812
Total property, plant and equipment	28,837,241	16,951,428
Intangible assets		
Goodwill	447,811	305,971
Leased assets	19,171	14,553
Other	589,408	361,322
Total intangible assets	1,056,391	681,847
Investments and other assets		
Investment securities	6,863,372	8,581,193
Deferred tax assets	32,940	28,574
Other	1,585,799	4,563,692
Allowance for doubtful accounts	(191,673)	(154,042)
Total investments and other assets	8,290,438	13,019,419
Total non-current assets	38,184,071	30,652,695
Deferred assets		
Bond issuance cost	–	21,504
Total deferred assets	–	21,504
Total assets	83,786,841	81,919,339

(Thousand yen)

	Previous fiscal year (As of December 31, 2015)	Fiscal year under review (As of December 31, 2016)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	5,499,809	3,387,368
Electronically recorded obligations - operating	9,041,472	8,217,219
Short-term loans payable	5,470,045	453,078
Lease obligations	132,651	130,360
Income taxes payable	678,261	1,742,437
Deferred tax liabilities	7,580	–
Provision for bonuses	70,883	72,422
Other	2,992,828	3,570,537
Total current liabilities	23,893,531	17,573,424
Non-current liabilities		
Bonds payable	–	1,000,000
Long-term loans payable	7,088,000	8,338,000
Lease obligations	252,412	223,623
Deferred tax liabilities	1,365,068	790,544
Net defined benefit liability	1,591,309	1,675,377
Asset retirement obligations	39,829	40,167
Other	955,143	873,427
Total non-current liabilities	11,291,763	12,941,140
Total liabilities	35,185,295	30,514,565
NET ASSETS		
Shareholders' equity		
Capital stock	6,911,700	6,911,700
Capital surplus	6,039,545	6,039,545
Retained earnings	35,248,014	39,694,256
Treasury shares	(1,693,473)	(2,693,524)
Total shareholders' equity	46,505,786	49,951,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,732,095	1,992,179
Foreign currency translation adjustment	399,513	(505,554)
Remeasurements of defined benefit plans	(35,849)	(33,827)
Total accumulated other comprehensive income	2,095,759	1,452,797
Total net assets	48,601,546	51,404,774
Total liabilities and net assets	83,786,841	81,919,339

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated statements of income)

(Thousand yen)

	Previous fiscal year (Jan. 1, 2015 – Dec. 31, 2015)	Fiscal year under review (Jan. 1, 2016 – Dec. 31, 2016)
Net sales	68,985,798	63,190,466
Cost of sales	50,092,745	45,548,075
Gross profit	18,893,053	17,642,390
Selling, general and administrative expenses	12,565,214	12,114,901
Operating income	6,327,839	5,527,489
Non-operating income		
Interest income	38,806	32,731
Dividend income	121,788	124,934
Foreign exchange gains	–	44,494
Other	278,732	181,496
Total non-operating income	439,327	383,657
Non-operating expenses		
Interest expenses	131,464	83,134
Commission for syndicate loan	35,800	35,800
Foreign exchange losses	45,335	–
Other	15,370	11,817
Total non-operating expenses	227,970	130,751
Ordinary income	6,539,197	5,780,395
Extraordinary income		
Gain on sales of non-current assets	222,983	244,268
Gain on sales of shares of subsidiaries and associates	–	6,266,617
Other	201	–
Total extraordinary income	223,185	6,510,885
Extraordinary losses		
Loss on disposal of non-current assets	14,533	244,795
Loss on valuation of investment securities	–	80,150
Other	186,002	66,707
Total extraordinary losses	200,535	391,654
Profit before income taxes	6,561,847	11,899,625
Income taxes - current	2,286,262	4,254,273
Income taxes - deferred	41,186	(216,462)
Total income taxes	2,327,448	4,037,811
Profit	4,234,398	7,861,814
Profit attributable to owners of parent	4,234,398	7,861,814

(Consolidated statements of comprehensive income)

(Thousand yen)

	Previous fiscal year (Jan. 1, 2015 – Dec. 31, 2015)	Fiscal year under review (Jan. 1, 2016 – Dec. 31, 2016)
Profit	4,234,398	7,861,814
Other comprehensive income		
Valuation difference on available-for-sale securities	4,900	260,083
Foreign currency translation adjustment	(199,883)	(905,068)
Remeasurements of defined benefit plans, net of tax	1,269	2,021
Total other comprehensive income	(193,713)	(642,962)
Comprehensive income	4,040,684	7,218,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,040,684	7,218,852

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (from January 1, 2015 to December 31, 2015)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,911,700	6,042,037	32,941,220	(1,031,585)	44,863,372
Cumulative effects of changes in accounting policies			172,982		172,982
Restated balance	6,911,700	6,042,037	33,114,202	(1,031,585)	45,036,355
Changes of items during period					
Dividends of surplus			(1,206,522)		(1,206,522)
Profit attributable to owners of parent			4,234,398		4,234,398
Purchase of treasury shares				(1,558,448)	(1,558,448)
Retirement of treasury shares		(2,492)	(894,068)	896,560	–
Change of scope of consolidation			3		3
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	(2,492)	2,133,811	(661,888)	1,469,430
Balance at the end of current period	6,911,700	6,039,545	35,248,014	(1,693,473)	46,505,786

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,727,194	599,397	(37,118)	2,289,473	47,152,846
Cumulative effects of changes in accounting policies					172,982
Restated balance	1,727,194	599,397	(37,118)	2,289,473	47,325,829
Changes of items during period					
Dividends of surplus				–	(1,206,522)
Profit attributable to owners of parent				–	4,234,398
Purchase of treasury shares				–	(1,558,448)
Retirement of treasury shares				–	–
Change of scope of consolidation				–	3
Net changes of items other than shareholders' equity	4,900	(199,883)	1,269	(193,713)	(193,713)
Total changes of items during period	4,900	(199,883)	1,269	(193,713)	1,275,717
Balance at the end of current period	1,732,095	399,513	(35,849)	2,095,759	48,601,546

Fiscal year under review (from January 1, 2016 to December 31, 2016)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,911,700	6,039,545	35,248,014	(1,693,473)	46,505,786
Changes of items during period					
Dividends of surplus			(1,222,976)		(1,222,976)
Profit attributable to owners of parent			7,861,814		7,861,814
Purchase of treasury shares				(1,000,051)	(1,000,051)
Retirement of treasury shares					–
Change of scope of consolidation			(2,192,595)		(2,192,595)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	4,446,242	(1,000,051)	3,446,190
Balance at the end of current period	6,911,700	6,039,545	39,694,256	(2,693,524)	49,951,977

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of current period	1,732,095	399,513	(35,849)	2,095,759	48,601,546
Changes of items during period					
Dividends of surplus				–	(1,222,976)
Profit attributable to owners of parent				–	7,861,814
Purchase of treasury shares				–	(1,000,051)
Retirement of treasury shares				–	–
Change of scope of consolidation				–	(2,192,595)
Net changes of items other than shareholders' equity	260,083	(905,068)	2,021	(642,962)	(642,962)
Total changes of items during period	260,083	(905,068)	2,021	(642,962)	2,803,228
Balance at the end of current period	1,992,179	(505,554)	(33,827)	1,452,797	51,404,774

(4) Consolidated Statement of Cash Flows

(Thousand yen)

	Previous fiscal year (Jan. 1, 2015 – Dec. 31, 2015)	Fiscal year under review (Jan. 1, 2016 – Dec. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	6,561,847	11,899,625
Depreciation	1,827,318	1,680,772
Increase (decrease) in allowance for doubtful accounts	(103,574)	(30,279)
Increase (decrease) in net defined benefit liability	17,120	88,296
Interest and dividend income	(160,595)	(157,666)
Interest expenses	131,464	83,134
Loss (gain) on valuation of investment securities	–	80,150
Loss on valuation of shares of subsidiaries and associates	27,260	18,963
Loss (gain) on sales of shares of subsidiaries and associates	–	(6,266,617)
Loss on retirement of non-current assets	14,381	241,829
Loss (gain) on sales of non-current assets	(222,831)	(241,301)
Decrease (increase) in notes and accounts receivable - trade	819,136	903,109
Decrease (increase) in other current assets	(27,373)	268,465
Decrease (increase) in inventories	(438,255)	(132,205)
Increase (decrease) in notes and accounts payable - trade	(4,147,827)	(780,576)
Increase (decrease) in other current liabilities	(4,659)	540,478
Increase (decrease) in other non-current liabilities	76,847	21,065
Increase (decrease) in accrued consumption taxes	(605,744)	510,530
Other, net	218,624	155,408
Subtotal	3,983,139	8,883,184
Income taxes paid	(2,950,390)	(3,179,561)
Net cash provided by (used in) operating activities	1,032,749	5,703,622
Cash flows from investing activities		
Payments into time deposits	(600,325)	(50,000)
Proceeds from withdrawal of time deposits	–	456,385
Purchase of securities	–	(500,000)
Purchase of property, plant and equipment	(4,787,344)	(2,823,026)
Proceeds from sales of property, plant and equipment	27,922	546,017
Purchase of intangible assets	(54,334)	(67,867)
Proceeds from sales of intangible assets	219,861	–
Purchase of investment securities	(300,000)	(1,500,000)
Purchase of shares of subsidiaries	(30,000)	(30,000)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	10,787,460
Purchase of insurance funds	(130,347)	(99,276)
Proceeds from maturity of insurance funds	126,708	125,514
Payments of loans receivable	(20,558)	(72,755)
Collection of loans receivable	20,558	77,735
Payments into long-term deposits	–	(3,110,472)
Interest and dividend income received	154,632	153,003
Other, net	298,667	(95,698)
Net cash provided by (used in) investing activities	(5,074,559)	3,797,020

(Thousand yen)

	Previous fiscal year (Jan. 1, 2015 – Dec. 31, 2015)	Fiscal year under review (Jan. 1, 2016 – Dec. 31, 2016)
Cash flows from financing activities		
Increase in short-term loans payable	9,528,809	6,932,043
Decrease in short-term loans payable	(9,357,385)	(8,641,394)
Proceeds from long-term loans payable	7,100,000	5,831,353
Repayments of long-term loans payable	(3,454,000)	(3,350,000)
Purchase of treasury shares	(1,558,448)	(1,000,05)1
Proceeds from issuance of bonds	–	977,420
Cash dividends paid	(1,205,122)	(1,224,923)
Interest expenses paid	(137,185)	(88,870)
Commission for syndicate loan paid	(187,920)	–
Other, net	(144,639)	(147,320)
Net cash provided by (used in) financing activities	584,106	(711,742)
Effect of exchange rate change on cash and cash equivalents	120,594	(539,510)
Net increase (decrease) in cash and cash equivalents	(3,337,109)	8,249,389
Cash and cash equivalents at beginning of period	17,782,908	14,445,204
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(594)	–
Cash and cash equivalents at end of period	14,445,204	22,694,593

(5) Notes to Consolidated Financial Statements

(Segment information)

(Segment information)

1. Description of reporting segments

Reporting segments of the Okabe Group are individual units for which separate financial information is available and that are subject to a periodic review by the Board of Directors for the purposes of evaluating performance and determining the allocation of resources.

The Group is engaged in the construction-related products business and business activities in several other industries. Comprehensive strategies are established and business activities conducted for products and services in Japan and other countries for each major business that is categorized based on the type of industry.

Consequently, there are four reporting segments for major business activities categorized by industry: construction-related products, automotive products, hotel business and other businesses.

Construction-related products includes manufacture and sales of temporary building and formwork products, civil engineering products and building structural products and sale of building materials.

Automotive products includes manufacture and sales of automotive products.

Hotel business includes management of hotels. While the Company excluded the hotel business from the scope of consolidation because it transferred all the shares in Okabe North America, Inc. and Coast Hotels Limited, which are engaged in the hotel business, on September 6, 2016, the statements of income up until September 5, 2016 are consolidated. In addition, because the hotel business does not exist as of the end of the consolidated fiscal year under review, there are no segment assets for the hotel business.

Other businesses includes manufacture and sales of marine materials products, and manufacture and sales of fishing sinkers in the United States.

2. Methods for calculating sales, income (loss), assets, liabilities and other items by reportable segment

The accounting method for reportable segments is almost equivalent to that specified in "Significant Accounting Policies." Reportable segment income is presented based on operating income (loss).

Intersegment sales or transfers of funds are presented based on actual market prices.

(Changes in Depreciation Method of Property, Plant and Equipment)

As stated in "Changes in Accounting Policies That Are Difficult to Distinguish from Changes in Accounting Estimates," the depreciation of property, plant and equipment (excluding lease assets) of the Company and its domestic consolidated subsidiaries was previously calculated using mainly the declining balance method (the straight line method was used for the depreciation of buildings (excluding structures attached to buildings) acquired on or after April 1, 1998). However, from the consolidated fiscal year under review, the method for the depreciation of property, plant and equipment was changed from the declining balance method to the straight line method. As a result, segment income increased 292,103 thousand yen in the construction-related products business and 5,829 thousand yen in the other businesses in comparison with the old method.

3 Information regarding sales, income (loss), assets, liabilities and other items for each reportable business segment

Previous fiscal year (from January 1, 2015 to December 31, 2015)

(Thousand yen)

	Reportable segments					Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	50,869,271	10,205,446	6,108,892	1,802,188	68,985,798	–	68,985,798
Intersegment internal sales and transfers	–	–	2,934	–	2,934	(2,934)	–
Total	50,869,271	10,205,446	6,111,826	1,802,188	68,988,733	(2,934)	68,985,798
Segment income	4,484,531	1,216,341	340,061	286,904	6,327,839	–	6,327,839
Segment assets	49,511,354	12,099,888	13,254,051	1,040,920	75,906,215	7,880,625	83,786,841
Other items							
Depreciation	865,599	450,299	462,755	49,692	1,828,346	(1,196)	1,827,150
Amortization of goodwill	–	83,879	–	–	83,879	–	83,879
Increase in property, plant and equipment and intangible assets	3,484,503	938,173	602,873	8,315	5,033,867	–	5,033,867

Notes:

1. The adjustment consists of the following items.
   (a) The adjustment of 7,880,625 thousand yen for segment assets consists of a deduction of 1,158,718 thousand yen for intersegment transactions and an addition of 9,039,344 thousand yen for corporate assets that cannot be allocated to a particular segment.
   The main components of corporate assets are investments of unused funds (deposits) and long-term investments (investment securities).
   (b) The depreciation adjustment of negative 1,196 thousand yen is for the write-off of unrealized gains and losses associated with non-current assets.
2. Segment income matches the operating income in the consolidated statements of income.

Fiscal year under review (from January 1, 2016 to December 31, 2016)

(Thousand yen)

	Reportable segments					Adjustment (Note 1)	Amounts in consolidated financial statements (Note 2)
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Net sales							
Sales to external customers	47,711,004	8,975,670	5,204,026	1,299,765	63,190,466	–	63,190,466
Intersegment internal sales and transfers	–	–	1,705	–	1,705	(1,705)	–
Total	47,711,004	8,975,670	5,205,732	1,299,765	63,192,172	(1,705)	63,190,466
Segment income	3,940,147	1,021,753	501,863	63,725	5,527,489	–	5,527,489
Segment assets	53,710,645	10,176,745	–	786,747	64,674,138	17,245,201	81,919,339
Other items							
Depreciation	864,879	398,946	380,339	37,487	1,681,653	(1,049)	1,680,603
Amortization of goodwill	–	77,720	–	–	77,720	–	77,720
Increase in property, plant and equipment and intangible assets	849,029	664,765	65,384	6,416	1,585,595	–	1,585,595

Notes:

1. The adjustment consists of the following items.
   (a) The adjustment of 17,245,201 thousand yen for segment assets consists of a deduction of 456,071 thousand yen for intersegment transactions and an addition of 17,701,272 thousand yen for corporate assets that cannot be allocated to a particular segment. The main components of corporate assets are investments of unused funds (deposits) and long-term investments (securities and investment securities).
   (b) The depreciation adjustment of negative 1,049 thousand yen is for the write-off of unrealized gains and losses associated with non-current assets.
2. Segment income matches the operating income in the consolidated statements of income.

(Related information)

Previous fiscal year (from January 1, 2015 to December 31, 2015)

1. Information by products and services

Omitted because similar information is presented in segment information

2. Information by geographical areas

(1) Net sales

(Thousand yen)

Japan	North America	Others	Total
47,712,309	17,282,453	3,991,036	68,985,798

Note: Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Thousand yen)

Japan	North America	Others	Total
12,774,285	13,856,106	2,206,850	28,837,241

3. Information by a major customer

Information by major customer is omitted because sales for each major customer accounted for less than 10% of consolidated net sales.

Fiscal year under review (from January 1, 2016 to December 31, 2016)

1. Information by product and service

Omitted because similar information is presented in segment information

2. Information by geographical area

(1) Net sales

(Thousand yen)

Japan	North America	Others	Total
43,765,821	15,635,754	3,788,890	63,190,466

Note: Net sales are based on the locations of customers and categorized in accordance with countries or regions.

(2) Property, plant and equipment

(Thousand yen)

Japan	North America	Others	Total
12,490,524	2,569,951	1,890,953	16,951,428

3. Information by major customer

(Thousand yen)

Name of customer	Net sales	Name of relevant segment
MM & KENZAI Corporation	6,591,423	Construction-related products

(Segment information for impairment of non-current assets)

Previous fiscal year (from January 1, 2015 to December 31, 2015)

None

Fiscal year under review (from January 1, 2016 to December 31, 2016)

None

(Segment information for goodwill amortization and remaining goodwill)

Previous fiscal year (from January 1, 2015 to December 31, 2015)

(Thousand yen)

	Reportable segments					Corporate or elimination	Total
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Amortization of goodwill	–	83,879	–	–	83,879	–	83,879
Goodwill at year end	–	447,811	–	–	447,811	–	447,811

Fiscal year under review (from January 1, 2016 to December 31, 2016)

(Thousand yen)

	Reportable segments					Corporate or elimination	Total
	Construction-related products	Automotive products	Hotel business	Other businesses	Total		
Amortization of goodwill	–	77,720	–	–	77,720	–	77,720
Goodwill at year end	–	305,971	–	–	305,971	–	305,971

(Segment information for gains from negative goodwill)

Previous fiscal year (from January 1, 2015 to December 31, 2015)

None

Fiscal year under review (from January 1, 2016 to December 31, 2016)

None